

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in Shun Cheong Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF MATURITY DATE OF HK\$120,000,000
CONVERTIBLE BONDS DUE 2013
AND
NOTICE OF SGM**

**Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders**



**TC Capital
天財資本**

TC Capital Asia Limited

All terms used herein shall have the same meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 3 to 8 of this circular. A notice convening the SGM to be held at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong at 11:00 a.m. on Monday, 20 May 2013 is set out on pages SGM-1 to SGM-2 in this circular at which ordinary resolutions will be proposed to approve the Subscription.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you propose to attend the SGM, you are requested to complete the accompanying proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjourned meeting if you so desire.

* *For identification purposes only*

30 April 2013

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 28 March 2013 in relation to, amongst others, the Extension
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	means any day (other than a Saturday or Sunday) on which licensed banks are open for general banking business in Hong Kong
“Company”	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability of which shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds issued by the Company to the Subscriber in the aggregate amount of HK\$120,000,000
“Deed of Amendment”	the deed of amendment entered by the Company and the Subscriber on 28 March 2013 to extend the Maturity Date of the Subscription Agreement
“Director(s)”	the director(s) of the Company
“Extended Maturity Date”	28 March 2015
“Extension”	the proposed extension of the maturity date of the Convertible Bonds by 24 months to 28 March 2015
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Extension and the Deed of Amendment
“Independent Shareholders”	the Shareholders other than the Mr. Mo Tianquan and his associates

DEFINITIONS

“Latest Practicable Date”	26 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	28 March 2013
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong at 11:00 a.m. on Monday, 20 May 2013 for considering, if thought fit, approving the ordinary resolutions in respect of the extension of the Maturity Date of the Convertible Bonds
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Tanisca”	Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan (a non-executive director of the Company and a substantial Shareholder) and the subscriber of the Convertible Bonds
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29 October 2007 entered into between the Company and the Subscriber in respect of the subscription of the Convertible Bonds
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TC Capital”	TC Capital Asia Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Extension
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

Executive Directors:

Cao Jing (*Executive Chairman*)

Zhang Shaohua (*Managing Director*)

Non-executive Director:

Mo Tianquan

Independent Non-executive Directors:

Ye Jianping

Palaschuk Derek Myles

Deng Wei

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Head Office and

Principal Place of Business:

Suite 2302, Wing On Centre

111 Connaught Road Central

Hong Kong

30 April 2013

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$120,000,000 CONVERTIBLE BONDS DUE 2013**

1. INTRODUCTION

The Company refers to its announcement dated 31 October 2007 and its circular dated 21 November 2007. As described in the Circular, the Company would issue the Convertible Bonds to the Subscriber in an aggregate principal amount of HK\$120,000,000, subject to Independent Shareholders' approval, which was obtained in a special general meeting of the Company on 7 December 2007. Accordingly, the Convertible Bonds were issued on 28 March 2008. The Convertible Bonds bear 1% interest per annum and are convertible into shares of the Company. As at the Latest Practicable Date, the Convertible Bonds with an aggregate amount of HK\$120,000,000 held by the Subscriber are still outstanding. All outstanding Convertible Bonds would mature on 28 March 2013 pursuant to the original terms and conditions of the Convertible Bonds.

* *For identification purposes only*

LETTER FROM THE BOARD

Reference is also made to the Announcement in which the Company announced that the Company and the Subscriber entered into the Deed of Amendment pursuant to which the Company and the Subscriber agreed that the maturity date of the Convertible Bonds to be extended by 24 months to 28 March 2015, which constituted a connected transaction for the Company.

The purposes of this circular is to provide you with, among other things, (i) information in relation to the Extension; (ii) the letter of advice from the Independent Board Committee; (iii) the letter of advice from TC Capital to the Independent Board Committee and Independent Shareholders; and (iv) a notice of the SGM to consider and, if thought fit, to approve the resolution in relation to the Extension.

2. DEED OF AMENDMENT

On 28 March 2013, the Company and the Subscriber entered into a Deed of Amendment to extend the maturity date of the Convertible Bonds for 24 months and the conversion period will accordingly be extended for 24 months to 28 March 2015. Subject to the conditions below, the Subscriber has approved the Extension.

The Deed of Amendment will only become effective upon all the following conditions having been fulfilled:

- (a) The Company having convened a special general meeting at which resolutions shall have been duly passed by the Independent Shareholders to approve and ratify the Deed of Amendment;
- (b) The Stock Exchange having granted the approval for the proposed Extension; and
- (c) All necessary consents and approvals required to be obtained on the part of the Company in respect of the Extension having been obtained.

Apart from the Extension, all terms of the Convertible Bonds remain unchanged from the original terms.

The principal terms of the Convertible Bonds after the Deed of Amendment becomes effective are as follows:

Principal amount: HK\$120,000,000

Maturity: Unless previously redeemed, purchased and cancelled or converted, all of outstanding Convertible Bonds will be converted into ordinary shares of the Company on the Extended Maturity Date. The original maturity date of 28 March 2013 is to be extended for another 24 months upon its expiry to the Extended Maturity Date of 28 March 2015.

LETTER FROM THE BOARD

- Redemption:** Upon the written confirmation has been obtained from the holder(s) of the Convertible Bonds, the Company has the option to redeem the Convertible Bonds. Otherwise, the Company is not entitled to redeem the Convertible Bonds.
- Interest:** The Convertible Bonds will bear an interest at the rate of 1% per annum, payable semi-annually in arrear.
- Conversion rights:** The holder(s) of the Convertible Bonds will have the right at any time commencing on the Business Day after the date of issuance of the Convertible Bonds but before the Extended Maturity Date, to convert the whole or part of the principal amount of the Convertible Bonds into the Shares, provided that the principal amount to be converted shall be at least HK\$1,000,000. And in integral multiples of HK\$1,000,000 on each such conversion, save that if at any time the outstanding principal amount of the Bond is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted.
- Conversion Price:** The conversion price is HK\$0.3695 per Conversion Share, subject to adjustment for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events.
- Conversion Shares:** Assuming full conversion of the Convertible Bonds, the Company will issue 324,763,193 Conversion Shares, representing (a) approximately 93.5% of the Company's total issued share capital as at the Latest Practicable Date; and (b) approximately 48.3% of the Company's issued share capital as enlarged by the issuance of the Conversion Shares. The Conversion Shares will rank pari passu in all respects with the existing Shares in issue.
- The Company has applied to the Listing Committee of the Stock Exchange and obtained approval for the listing of, and permission to deal in, the Conversion Shares.

LETTER FROM THE BOARD

Transferability:	The Convertible Bonds may be assigned or transferred to any party. The Company will undertake to the Stock Exchange that it will disclose to the Stock Exchange any dealings by any of the connected persons as defined in the Listing Rules from time to time in the Convertible Bonds immediately upon the Company becoming aware of such dealings.
Voting right:	Holder(s) of the Convertible Bonds (or any part thereof) will not be entitled to attend or vote at any Shareholders' and/or warrant holders' meetings of the Company by reason only of it being a holder of the Convertible Bonds (or any part thereof).
Listing and trading:	No application will be made for the listing of the Convertible Bonds and permission to deal in the Convertible Bonds on the Stock Exchange or any other stock exchange.

3. REASONS FOR THE EXTENSION

The Convertible Bonds would mature on 28 March 2013 unless further extended. According to the Subscription Agreement, unless previously redeemed, purchased and cancelled or converted, all of the outstanding Convertible Bonds will be converted into Shares on the Maturity Date.

Tanisca is wholly-owned by Mr. Mo Tianquan (a non-executive Director and a substantial Shareholder). As at the Latest Practicable Date, according to disclosure of interest filed on the website of the Stock Exchange, Mr. Mo Tianquan is interested in 209,753,409 Shares, or 60.39% of the issued share capital of the Company. In the event that all the outstanding Convertible Bonds are converted into Shares of the Company, 324,763,193 new Shares will be issued to Tanisca, following which issuance, Mr. Mo Tianquan will be interested in 534,516,602 Shares, or 79.53% of the issued share capital of the Company. In such event, the Company would be in breach of the Listing Rules, which require there must be an open market in the Shares, which normally mean that at least 25% of the Company's share capital must at all times be held by the public.

In addition, pursuant to the Subscription Agreement, the exercise of the conversion right attached to the Convertible Bonds by the bondholders will be subject to the provisions under the Listing Rules and the Takeovers Code. It is also specifically provided in the Subscription Agreement that both the Company and the Subscriber unconditionally and irrevocably undertake to ensure that no less than 25% of the Shares will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules, in particular immediately following the conversion of the Convertible Bonds.

LETTER FROM THE BOARD

In view of the possible breach of the Listing Rules by discharging the Company's obligations under the Subscription Agreement, the Company and Tanisca entered into the Deed of Amendment to extend the Maturity Date of the Convertible Bonds.

Furthermore, the Extension effectively allows the Group to refinance the debts under the Convertible Bonds under the same terms for a further 24 months. The Company plans to improve the financial position of the Company with business growth in the coming year. So that the Company will have sufficient financial resources to satisfy the terms of the Agreement without causing any liquidity risk to the business ongoing operation. In addition, the interest rate of the Convertible Bonds is lower than the general cost of borrowing of the Group and there is no need for guarantee or security. Save for the Extension, other terms and conditions of the Convertible Bond remain unchanged.

The Board (including the independent non-executive Directors who have given their opinion based on the recommendation of TC Capital) considers that the terms and conditions of the Deed of Amendment are fair and reasonable and the Extension is in the interests of the Company and the Shareholders as a whole. The Directors are of the view that the Extension will not pose any significant impact on the operations of the Group.

4. LISTING RULES IMPLICATIONS

As Tanisca (the Subscriber) is a company wholly-owned by Mr. Mo Tianquan (a non-executive Director and a substantial Shareholder), and as at the Latest Practicable Date, he also wholly owns Upsky Enterprises Limited, which owns 60.39% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company under the Listing Rules. The Extension to be effected by the Deed of Amendment between the Company and the Subscriber constitutes a connected transaction of the Company. Therefore, the Extension is subject to reporting and announcement requirements, as well as approval by the Independent Shareholders at the SGM, under the Listing Rules. The Company has established the Independent Board Committee and appointed TC Capital to advise the Independent Shareholders and the Independent Board Committee regarding the Extension. The Subscriber, Mr. Mo Tianquan and his associates will abstain from voting in respect of the resolution approving the Extension and the transaction contemplated there under at the SGM.

5. GENERAL

The principal activities of the Group are operations of hotels and restaurants. The Subscriber is an investment holding company. Aside from holding the 60.39% shareholding in the Company and the Convertible Bonds, the Subscriber does not have any other significant business activities.

6. SGM AND PROXY ARRANGEMENT

The notice of the SGM is set out on page SGM-1 to SGM-2 of this circular. At the SGM, resolution will be proposed to approve the Extension. The Subscriber, Mr. Mo Tianquan and his associates have a material interest in the transaction, and will abstain from voting at the SGM.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and return, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

7. RECOMMENDATION

The Directors (including three independent non-executive Directors, whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular, but save for Mr. Mo Tianquan and Ms. Cao Jing who have a material interest in the transaction and have abstained from voting on the Board resolution in relation to the Extension) consider that the terms of the Extension are fair and reasonable and in the interests of the Shareholders and the Company as a whole. The Directors recommend that all the Independent Shareholders vote in favor of the proposed ordinary resolution set out in the notice of the SGM to approve and/or ratify the Deed of Amendment and Extension.

8. ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 9 of this circular which contains recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the transaction; and (ii) the letter from TC Capital set out on pages 10 to 16 of this circular which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the transaction and the principal factors and reasons considered by TC Capital in arriving at its recommendations.

Yours faithfully,
By Order of the Board
Shun Cheong Holdings Limited
Ms. Cao Jing
Executive Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

30 April 2013

To the Independent Shareholders

Dear Sir or Madam,

INTRODUCTION

We refer to the circular of the Company of even date (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Deed of Amendment and the transactions contemplated thereunder. TC Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 10 to 16 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

RECOMMENDATION

Having considered the terms of the Deed of Amendment, the transactions contemplated thereunder and taking into account the independent advice of TC Capital and the relevant information contained in the letter from the Board, we are of the opinion that the Deed of Amendment and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

According, we recommend that you vote in favor of the ordinary resolution to be proposed at the SGM to approve and/or ratify the Deed of Amendment and the transactions contemplated thereunder.

Ye Jianping
*Independent Non-executive
Director*

Yours faithfully,
Independent Board Committee
Palaschuk Derek Myles
*Independent Non-executive
Director*

Deng Wei
*Independent Non-executive
Director*

* *For identification purposes only*

LETTER FROM TC CAPITAL

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from TC Capital Asia Limited dated 30 April 2013 prepared for incorporation in this circular:



TC Capital Asia Limited
天財資本亞洲有限公司

30 April 2013

*The Independent Board Committee and the Independent Shareholders
Shun Cheong Holdings Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK\$120,000,000 CONVERTIBLE BONDS DUE 2013

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee, and the Independent Shareholders in respect of the Extension which constitutes a connected transaction for the Company. Details of the connected transaction are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of Shun Cheong Holdings Limited dated 30 April 2013 issued to the Shareholders (the “**Circular**”). Our letter is made for incorporation into the Circular. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Mr. Deng Wei, the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Extension is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and how to vote for the respective resolution in the SGM. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our recommendation, we have relied on all relevant information, opinions and facts supplied, and representation made to us by the Company, the Directors and representatives of the Company, including details of the Extension. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, are true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company and the Company has also confirmed to us that no material facts have been withheld or omitted from the information supplied and referred to in the Circular, which would make any statement therein misleading.

LETTER FROM TC CAPITAL

We consider that we have sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of detailed investigation or audit into the businesses, affairs, operations, financial position or future prospects of the Group or the Subscriber.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE EXTENSION

In arriving at our opinion on the Extension, we have taken into consideration the following factors and reasons:

Background of the Convertible Bonds

On 28 March 2008, the Company issued the five-year, 1% Convertible Bonds to Tanisca with an aggregate principal amount of HK\$120,000,000. The Convertible Bonds are convertible at any time from the first anniversary of the issue date to the maturity date of 28 March 2013, at the bondholder's option, at an initial conversion price of HK\$0.6 per conversion share, subject to adjustment in certain events. Details of the Convertible Bonds and the respective subscription agreement are contained in the circular of the Company issued to the Shareholders dated 21 November 2007.

According to the announcement of the results of rights issue made on 12 June 2008, the conversion price of the Convertible Bonds was adjusted from HK\$0.6 per Share to HK\$0.3695 per Share and the number of Shares falling to be issued upon full conversion of the Convertible Bonds was adjusted from 200,000,000 Shares to 324,763,193 Shares as a result of the rights issue, in accordance with an automatic conversion price adjustment mechanism as stipulated in the Subscription Agreement.

As at the Latest Practicable Date, none of the Convertible Bonds has been converted into Shares.

Key terms of the Deed of Amendment

Key terms of the Deed of Amendment for the Extension are disclosed in the Board Letter and are summarized as follows:

Date of deed	:	28 March 2013
Parties	:	<ul style="list-style-type: none">• The Company, as the issuer of the Convertible Bonds• Tanisca, as the subscriber

LETTER FROM TC CAPITAL

- Subject matter : The Company and the Subscriber have decided to extend the maturity date of the Convertible Bonds to a date falling 24 months from the date of the original maturity date of 28 March 2013, upon the same terms and conditions.
- Amendments to Subscription Agreement : The original maturity date was the date falling on the fifth anniversary of the date of issue of the Convertible Bonds. Unless previously redeemed, purchased and cancelled or converted, all of outstanding Convertible Bonds will be converted into ordinary shares of the Company on the maturity date. Under the Deed of Amendment, the Maturity Date is modified to be extended by 24 months so that it will be the date falling on the seventh anniversary of the date of issue of the Convertible Bonds.

Save for the above amendments, all other terms and conditions of the Subscription Agreement and the terms and conditions of the Convertible Bonds shall remain in full force.

Reasons for and benefits of the Extension

As stated in the Board Letter, the Convertible Bonds would mature on 28 March 2013 unless further extended. According to the Subscription Agreement, unless previously redeemed, purchased and cancelled or converted, all of the outstanding Convertible Bonds will be converted into Shares on the maturity date. We analyze the reasons for and benefits of the Extension as follows:

Comply with the Listing Rules and the terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the exercise of the conversion right attached to the Convertible Bonds by the bondholders will be subject to the provisions under the Listing Rules and the Takeovers Code. It is specifically provided in the Subscription Agreement that both the Company and the Subscriber unconditionally and irrevocably undertake to ensure that no less than 25% of the Shares will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules, in particular immediately following the conversion of the Convertible Bonds.

We have also referred to the listing decision (reference number: HKEx-LD56-2013) issued by the Stock Exchange, which analyzes that the public float requirement seeks to ensure an open market in the securities for which listing is sought and the Stock Exchange would not give listing approval for an issue of new shares which would cause or facilitate a breach of the requirement.

LETTER FROM TC CAPITAL

Tanisca is wholly-owned by Mr. Mo Tianquan (a non-executive Director of the Company and a substantial Shareholder). As at the Latest Practicable Date, as advised by the Company and according to disclosure of interest filed on the website of the Stock Exchange, Mr. Mo Tianquan is interested in 209,753,409 Shares, or 60.39% of the issued share capital of the Company. In the event that all the outstanding Convertible Bonds are converted into Shares of the Company, 324,763,193 new Shares will be issued to Tanisca, following which issuance, Mr. Mo Tianquan will be interested in 534,516,602 Shares, or 79.53% of the issued share capital of the Company. In such event, the Company would be in breach of the Listing Rules, which require there must be an open market in the Shares, which normally mean that at least 25% of the Company's share capital must at all times be held by the public. For more details about the shareholding changes after full conversion of the Convertible Bonds, please refer to Table 1 below.

In view of the possible breach of the Listing Rules by discharging the Company's obligations under the Subscription Agreement, the Company and Tanisca entered into the Deed of Amendment to extend the maturity date of the Convertible Bonds.

We concur with the Company that the Extension is a reasonable measure to address the issue of possible insufficient public float and avoid the Company's default under the Subscription Agreement.

Improve financial position

Better liquidity position than early redemption option

The Company is entitled to the option that the Convertible Bonds may be redeemed by the Company in whole or in part upon Tanisca's written confirmation at their principal amount.

Based on the unaudited consolidated statement of financial position of the Company as at 30 September 2012, the Company had cash and cash equivalents amounted to approximately HK\$57.6 million and total assets amounted to approximately HK\$686 million. If there were no Extension, in order to comply with the public float requirement under the Listing Rules, the Company may choose to partly redeem the Convertible Bonds and partly issue the conversion shares to fully settle the Convertible Bonds with such number of conversion shares issued to increase Mr. Mo Tianquan's direct and indirect interests in the Company to just 75%. According to the Company, the required cash for the redemption amounted to approximately HK\$46 million. If the Convertible Bonds were to be fully redeemed, the cash required would be HK\$120 million, the redemption thus may require the Company to raise additional funds by realization of assets or other financing.

Given the above, we concur with the Directors that the early redemption option, if exercised by the Company in whole or in part for the settlement of the Convertible Bonds, could expose the Company to the risk of liquidity issue.

LETTER FROM TC CAPITAL

We have also discussed with the Company the way forward assuming the maturity date of the Convertible Bonds is extended in accordance with the terms of the Deed of Amendment. We agree with the Company that the Extension effectively allows the Group to refinance the debts under the Convertible Bonds under the same terms for further 24 months.

We are advised that the Company will take into account the extra time available under the extended maturity date to better plan its overall financial resources with respect to the Group's ongoing business operations.

Improving operational performance

As stated in the Company's interim report 2012, profit from operation for the six months ended 30 September 2012 showed improvement when compared with the corresponding period in 2011 as a result of higher average room rate charged to customers and improved performance in the restaurant operation of the Guangxi Wharton International Hotel Limited* located in Guangxi Province, the PRC (the "Nanning Hotel"). It was the Board's view that the Nanning Hotel would contribute positively to the Group's performance in the coming years.

According to the Company, besides the development of the existing core business in the Nanning Hotel, it has been the intention and strategy of the Group to further diversify and enlarge its hotel investments and portfolio. As the Convertible Bonds bear lower interest rate (1%) than the market borrowing rate, this presents a low cost of capital which the Company requires to fund its operation and the Company believes that the benefits from business operations and potential investments will outweigh the finance cost of the Convertible Bonds.

Potential investment opportunities

The Company is constantly looking for potential investment opportunities. According to the Company, there is currently no potential investment opportunity that the Company has identified or businesses that the Company intends to invest in. Nevertheless, having an established business networks, the Directors believe that they may, on an ad-hoc basis, come across potential investment opportunities that may be very lucrative to pursue.

In the event the Group's operation performance continues to improve, we concur with the Company's view that it will have more flexibility and strengthened financial position to contemplate the redemption or conversion of the Convertible Bonds, taking into account the best interests of the Company and the Shareholders as a whole.

LETTER FROM TC CAPITAL

Delay dilution effect caused by immediate full conversion of Convertible Bonds

The conversion rights of the Convertible Bond held by the Subscriber, if converted in full, would presents a significant dilution effect of 48.3% discount to the Independent Shareholders existing interest in the Company. The following table illustrates the current shareholding of the Company and the effects if the Convertible Bonds are converted in full.

Table 1

Name of Shareholder	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds at conversion price of HK\$0.3695 (Note 2)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Upsky Enterprises Limited <i>(Note 1)</i>	209,753,409	60.39%	209,753,409	31.21%
Tanisca <i>(Note 1)</i>	<u>—</u>	<u>0.00%</u>	<u>324,763,193</u>	<u>48.32%</u>
Sub-total	209,753,409	60.39%	534,516,602	79.53%
Public	<u>137,572,591</u>	<u>39.61%</u>	<u>137,572,591</u>	<u>20.47%</u>
Total	<u><u>347,326,000</u></u>	<u><u>100.00%</u></u>	<u><u>672,089,193</u></u>	<u><u>100.00%</u></u>

Notes:

1. Both Upsky Enterprises Limited and Tanisca are companies wholly-owned by Mr. Mo Tianquan (a non-executive Director of the Company and a substantial Shareholder) and thus the Shares held by Upsky Enterprises Limited and Tanisca are beneficially owned by Mr. Mo Tianquan.
2. Hypothetical situation and approximate numbers only as it is a condition of the Subscription Agreement and will remain effective as amended by the Deed of Amendment that no less than 25% of the Shares will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules, in particular immediately following the conversion of the Convertible Bonds.

For the six months ended 30 September 2012, the Company recorded profit attributable to owners of the Company of approximately HK\$2.92 million. Should the Company remain profitable, postponing the exercise of the conversion rights attaching to the Convertible Bonds is in the interest of the Independent Shareholder as they would have more time to enjoy a higher equity interest and the profits in the Company, until such time the Convertible Bonds are exercised.

LETTER FROM TC CAPITAL

In view of the above, we concur with the Company that the dilution effect on shareholding due to conversion of Convertible Bonds and the drastic change of capital structure at present are unfavourable to the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the opinion that the extension of the Convertibles Bond and the terms of the Deed of Amendment are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend that, and we ourselves also recommend that, the Independent Shareholders vote in favor of the resolution to approve the Deed of Amendment at the upcoming SGM.

Yours faithfully,
For and on behalf of
TC Capital Asia Limited
Edward Wu
Managing Director

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company has any interests and short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV or the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules and none of the Directors is a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in an associated corporation of the Company

Name of Director	Nature of Interests	Number of ordinary Shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	209,753,409 <i>(note 1)</i>	60.39%
Cao Jing	Family	209,753,409 <i>(note 2)</i>	60.39%

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the Directors and chief executive of the Company, there were no other persons who has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Nature of Interest	Number of Shares owned	Percentage of the Company's issued Share capital
Upsky Enterprises Limited	Directly beneficially owned	209,753,409	60.39%
Mo Tianquan	Attributable interest of controlled corporation	209,753,409	60.39%

Notes:

- (1) All interests stated above represent long positions.
- (2) The entire issued share capital of Upsky Enterprises Limited is legally and beneficially owned by Mr. Mo Tianquan who is therefore deemed to have an interest in Shares in which Upsky Enterprises Limited is interested. Accordingly, the interest held by each of Upsky Enterprises Limited and Mr. Mo Tianquan refers to the same parcel of shares.

Save as disclosed above, as at the Latest Practicable Date, no person, other than a director or chief executive of the Company, whose interests are set out in the section "Disclosure of interests by Directors" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO or who has, directly or indirectly, interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances in general meetings of any other member of the Group.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group were made up.

4. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates is interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's business and none of the Directors nor their respective associates is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

5. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group were made up or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

8. EXPERT'S QUALIFICATION AND CONSENT

TC Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of TC Capital who has given its opinions or advices which are contained in this circular:

Name	Qualification
TC Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, TC Capital had not had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 March 2012, the date to which the latest audited financial statements of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The Company's Hong Kong branch share registrar and transfer office is maintained by Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the following documents is available for inspection during 9:00 a.m. to 5:00 p.m. on any weekday (except for Saturdays and public holidays) at the office of the Company at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong and including the date of the SGM:

- (a) The memorandum of association and by-laws of the Company;
- (b) The annual reports of the Company for the two financial years ended 31 March 2011 and 2012;
- (c) The Deed of Amendment;
- (d) The terms and conditions of the Convertible Bonds;
- (e) The Subscription Agreement dated 29 October 2007; and
- (f) The letter of advice to the Independent Board Committee and the Independent Shareholders from TC Capital dated 30 April 2013.

NOTICE OF SGM



SHUN CHEONG HOLDINGS LIMITED

順昌集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 650)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of Shun Cheong Holdings Limited (the “**Company**”) will be held at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong on Monday, 20 May 2013 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendment, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

The entry into of the Deed of Amendment (as defined in the circular to the shareholders of the Company dated 30 April 2013), a copy of which has been produced to the SGM marked “A” and signed by the chairman of the SGM for identification purpose, the transactions contemplated thereunder and the execution if the Deed of Amendment and any documents and agreements incidental thereto under the common seal of the Company by any two directors of the Company on behalf of the Company be and are hereby confirmed, approved, authorized and ratified in all respect; and

Any one director of the Company or, if the affixation of the common seal of the Company is necessary, any two directors of the Company be and is/are hereby authorized for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such other documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the matters contemplated in the Deed of Amendment and the transactions contemplated thereunder or otherwise in relation to the Deed of Amendment and the matters and the transactions contemplated thereunder.”

By order of the Board
Shun Cheong Holdings Limited
Ms. Cao Jing
Executive Chairman

Hong Kong, 30 April 2013

* *For identification purposes only*

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use for the aforesaid purpose will be delivered forthwith together with a copy of this original notice to the registered address of the members entitled to vote at the SGM. In order to be valid, the said form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the SGM or any adjourned general meeting at which the person named in such instrument proposes to vote.
3. Whether or not you propose to attend the SGM in person, you are requested to complete and return the said form of proxy in accordance with the instructions printed thereon. Completion and return of such form of proxy will not preclude you from attending the SGM and voting in person if you so wish (in which case any appointment of proxy for the purpose of the SGM will be automatically revoked).
4. For joint registered holders of any share attending the SGM on the same occasion, the vote of the holder whose name stands first on the register who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
5. As at the date hereof, the directors of the Company comprises six directors, of whom two are executive directors, namely Ms. Cao Jing (executive chairman) and Mr. Zhang Shaohua (managing director), one is non-executive director, namely Mr. Mo Tianquan, and three are independent non-executive directors, namely Prof. Ye Jianping, Mr. Palaschuk Derek Myles and Mr. Deng Wei.